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## Town of Harpswell Maine Financial Audit Report 2013

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**TOWN OF HARPSWELL, MAINE**

**Annual Financial Report**

**For the Year Ended December 31, 2013**

**TOWN OF HARPSWELL, MAINE**  
**Annual Financial Report**  
**For the Year Ended December 31, 2013**

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Independent Auditor's Report

Board of Selectmen  
Town of Harpswell, Maine

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Harpswell, Maine as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Harpswell, Maine as of December 31, 2013, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Harpswell, Maine's basic financial statements. The combining and individual fund financial statements and schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

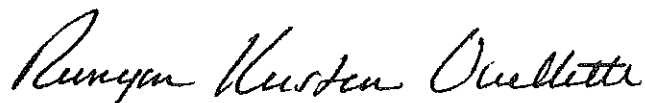
Board of Selectmen

Page 3

In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2014, on our consideration of the Town of Harpswell, Maine's internal control over financial reporting and on our tests of it compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Harpswell, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Raymond Kurten Ouellette". The signature is written in a cursive style with a large, stylized 'R' at the beginning.

January 29, 2014

South Portland, Maine



**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis**  
**December 31, 2013**

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As management of the Town of Harpswell, Maine, we present this narrative to provide you with an overview and analysis of our annual financial statements for the year ended December 31, 2013. This information, in conjunction with the notes to the financial statements, can be considered when reading the Town's financial statements.

**Financial Highlights**

- ❖ The total net position (total assets less liabilities) of the Town of Harpswell is \$13,621,151. Total assets include the costs, net of accumulated depreciation, of the Town's capital assets which totaled \$10,908,997 at December 31, 2013. Capital assets include the Town's infrastructure assets, (i.e., roads and dry hydrants), as well as Town-owned lands, buildings and equipment, including the former West Harpswell School.
- ❖ The Statement of Activities shows an increase in net position of \$284,097 for the fiscal year.
- ❖ During 2013, the Town repaid \$319,333 of the principal of its long-term debt and capital lease as scheduled and paid interest of \$80,033 on its long and short-term borrowings and capital lease.
- ❖ The ending fund balance for all governmental funds is \$5,367,905.
- ❖ The ending fund balance for the General Fund is \$4,143,649, an increase of \$157,376 from the previous year. Of this balance, \$594,213 is assigned for specific purposes, \$119,800 is committed, and \$16,627 is nonspendable. This leaves an unassigned balance of \$3,413,009, which is sufficient for compliance with the Town's Fund Balance Policy. This Policy requires the Town to maintain a fund balance, exclusive of restricted amounts, of three times the average of the previous year's monthly General Fund expenditures.
- ❖ In addition to its General Fund, the Town has a fund restricted for capital projects, which includes an interest-bearing dedicated fund for emergency vehicle purchases (\$488,022) and a fund for road projects (\$696,475). The Town also has a fund for its special revenue activities, which includes recreation programs (\$37,239) and grants (\$2,520). The recreation programs increased by \$11,136 in relation to 2012 primarily due to the addition of the bandstand program at Mitchell Field.

**Overview of Financial Statements**

The Town of Harpswell's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

**Government-wide Financial Statements**

The *government-wide financial statements* provide a broad overview of the Town of Harpswell's finances, in a manner similar to private-sector business. Financial information is presented in two statements – *statement of net position* and *statement of activities*.

The *statement of net position* presents information about the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information about how the Town's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).



**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

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Both of the government-wide financial statements distinguish functions of the Town of Harpswell that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Town of Harpswell include general government, public works (roads, solid waste disposal), protection and safety (law enforcement, fire protection), health and welfare, culture and recreation, debt service and capital planning expenses.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Harpswell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of Harpswell maintains five individual governmental funds. Information for the General Fund and the Road Project Fund are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the report.

The Town of Harpswell adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-34 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual statements and schedules can be found on pages 37-47 of this report.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

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***Statement of Net Position Information***

The following information is a condensed version of the Statement of Net Position.

**Net Position**

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Assets:		
Current & other assets	\$ 5,907,986	5,530,239
Capital assets	10,908,997	10,183,448
Total Assets	<u>\$16,816,983</u>	<u>\$15,713,687</u>
Liabilities:		
Long-term debt outstanding	(2,911,002)	(2,230,335)
Other liabilities	(284,830)	(146,298)
Total Liabilities	<u>(3,195,832)</u>	<u>(2,376,633)</u>
Net Position:		
Net investment in capital assets	8,457,341	8,289,257
Restricted	1,187,017	1,091,953
Unrestricted	3,976,793	3,955,844
Total Net Position	<u>\$13,621,151</u>	<u>\$13,337,054</u>

The Town's Total Net Position increased by \$284,097 during 2013.

Asset changes included an increase in cash balances (\$441,119) as 2013 cash balances were high as a result of the borrowing of \$1,000,000 for capital road projects that were not completed in 2013. Taxes receivable, including those for which liens have been placed, decreased \$48,127 primarily due to a positive result from reminder notices being sent to taxpayers.

Long-term debt obligations increased in 2013 by \$680,667 as a new borrowing for road projects was offset by scheduled principal repayments of \$319,333. Other liabilities increased primarily because of services provided to the Town in December that were invoiced in January and retainage being held for satisfactory completion of the capital road project and Bethel Point culvert project.

62.1% of the Town's Net Position at December 31, 2013 is represented by its capital assets less any debt outstanding that was used to acquire those assets. Although the Town's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$1,187,017 of the 2013 Net Assets (8.71%) is restricted for capital projects and grants. This includes \$488,022 for the purchase of emergency services vehicles and \$696,475 for capital road projects.

Unrestricted Net Position includes amounts assigned or committed for expenditures of certain purposes in subsequent years.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

**Statement of Activities Information**

The following information is a condensed version of the Statement of Activities.

		<b>Governmental</b>	
		<b>Activities</b>	
		<u>2013</u>	<u>2012</u>
Revenues:			
Program Revenues			
Charges for services	\$ 214,458	\$ 216,860	
Operating grants & contributions	94,190	122,160	
General Revenues			
Property and excise taxes	11,346,917	11,148,389	
Intergovernmental	155,386	171,412	
Interest earned	5,361	9,550	
Other	322,855	309,581	
Total revenues	\$12,139,167	\$11,977,952	
		<u>2013</u>	<u>2012</u>
Expenses:			
General government	\$1,344,318	1,258,267	
Public works	970,835	1,009,250	
Protection and safety	1,047,004	950,294	
Health and welfare	31,386	29,197	
Culture and recreation	321,335	306,712	
Education	6,762,429	6,566,900	
County taxes	1,128,378	1,113,601	
Overlay/abatements	3,243	5,699	
Interest on long-term debt	74,036	88,324	
Capital and special projects	172,106	694,492	
Total expenses	\$11,855,070	\$12,022,736	
<b>Increase/(decrease) in net position</b>		<b>\$284,097</b>	<b>(\$44,784)</b>

**Governmental Activities**

Governmental activities increased the Town's net position by \$284,097. Total program revenues decreased by \$30,372 (9.0%) on a year to year basis, with a significant decrease occurring in operating grants and contributions (\$27,970). The significant decrease in grants (\$55,474) was partially offset by an increase in recreation program revenue (\$6,702) and donations for the bandstand (\$12,681). There is less grant funding available than prior years and more competition for a number of grant programs to which the Town applied. License, permit and other fees increased by \$9,410. The sale of recyclable material was expected to decline as a result of the conversion to single-stream, however, the decline was less than expected and offset in part by an increase in disposal fee income. Additionally, the Town received \$64,352 (an increase of \$11,552) from the State in local road assistance due to a State change in payment method. The Town will receive less local road assistance in 2014 as a result of this change and a decrease in State funding.

Property and excise tax revenues increased from 2012 by \$121,930 and \$76,598, respectively. The mil rate increased from \$5.76 to \$5.78. Additionally, due to improvements in collections, the Town was able to record as earned \$24,000 of property tax revenue that was previously deferred.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

To aid in the understanding of the Statement of Activities, some additional explanation is provided. Please note that the format differs from that of the Statement of Revenues, Expenditures, and Changes in Fund Balances. Expenses for each activity are listed in the left-most column with revenues generated by that particular activity reported to the right. Subtracting one from the other results in a Net (Expense)/Revenue. This format provides information about the relative financial burden on the Town's taxpayers of each activity. It should be noted, however, that while these revenues may be generated by specific activities, the Town does not have dedicated revenue sources, except for recreation programs whose revenues, to the extent they exceed program costs, are retained for future programs. Accordingly, revenues from specific activities are deposited to the Town's General Fund, as are all tax payments received. From this fund, the Town makes all its expenditures.

Examples of activities which produce some level of revenue are:

<i>Public works</i>	Transfer Station fees and recycling revenues Local Road Assistance
<i>Health and welfare</i>	General Assistance state reimbursement
<i>Cultural and recreational</i>	Fees for recreation and bandstand programs
<i>Capital and special projects</i>	Grants for restricted projects

All other governmental revenues are reported as general revenues. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

***Net Cost of Governmental Activities***

The following information is a breakdown of each of the Town's major functional activities.

**Net Cost of Governmental Activities**

<b>Function / Program</b>	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General government	\$1,344,318	\$1,258,267	\$1,344,318	\$1,258,267
Public works	970,835	1,009,250	740,845	781,708
Protection and safety	1,047,004	950,294	1,047,004	950,294
Health and welfare	31,386	29,197	22,391	23,473
Culture and recreation	321,335	306,712	259,834	264,594
Education	6,762,429	6,566,900	6,762,429	6,566,900
County taxes	1,128,378	1,113,601	1,128,378	1,113,601
Overlay/abatements	3,243	5,699	3,243	5,699
Interest on long-term debt	74,036	88,324	74,036	88,324
Capital and special projects	172,106	694,492	163,944	630,856
Total governmental activities	<u>\$11,855,070</u>	<u>\$12,022,736</u>	<u>\$11,546,422</u>	<u>\$11,683,716</u>

Total Cost of Services and Net Cost of Services decreased from 2012 to 2013 by 1.4% and 1.2%, respectively.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As of December 31, 2013, the Town's governmental funds balance totaled \$5,367,905.

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the Town as a whole is reflected in its governmental funds.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

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**Governmental funds:** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances available for spending. Governmental funds report the differences between their assets, liabilities and deferred inflows as fund balances. Nonspendable, committed, restricted and assigned amounts reflect that which is not available to be spent while unassigned amounts reflect amounts that are.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's General Fund balance increased from \$3,986,273 in 2012 to \$4,143,649 in 2013. The increase was attributable to (1) an excess of revenues over expenditures of \$318,226, (2) \$1,000,000 new borrowing, and (3) transfers to other funds of \$1,160,850. Of these transfers, \$1,000,000 went to the capital road reserve, \$150,000 went to the emergency vehicle reserve and \$10,850 to recreation programs.

The 2013 Town Meeting approved the use of \$392,000 of fund balance to reduce the 2013 tax commitment. Additionally, a special Town Meeting voted to appropriate \$85,000 from unassigned General Fund Balance to acquire property abutting a Town landing, which acquisition has not been completed. A second special Town Meeting voted to appropriate \$34,800 from unassigned General Fund Balance to increase the dedicated paramedic service to 24 hours per day and 7 days a week for 3 months, beginning January 1, 2014. Consistent with the Town's policy of maintaining three months of expenses in its year-end General Fund balance, the 2013 year-end level will allow for up to \$475,000 to be used to reduce the 2014 tax commitment or to establish capital reserves.

**Revenues:** 2013 property tax revenue increased by \$97,930 relative to 2012. Total appropriations increased by \$49,189 as increases in assessment by MSAD 75 of \$195,529 (3.0%) and by Cumberland County of \$14,777 (1.3%) were offset by decreases in total municipal appropriations of \$95,634 (2.2%). Additionally, overlay decreased in 2013 by \$65,483. Revenues other than property tax were expected to decline in 2013 and therefore the use of fund balance increased by \$42,000.

The 2013 mil rate increased to \$5.78 from \$5.76 and the property tax base expanded by approximately \$11.1 million (0.6%). Of the 2013 commitment, 96.64% was collected prior to year-end. A healthy collection rate has been experienced for approximately four years and, accordingly, unavailable revenue – property taxes declined by \$24,000 (\$20,000 in 2012) increasing the General Fund balance by the same amount.

The Town experienced an increase in non-property tax revenue sources in 2013, primarily in excise tax receipts, the Town's single largest source of non-property tax revenue, which increased by \$76,598 (7.9%). There were also minimal increases in licenses, fees and permits, franchise fees, and sale of excess equipment. While homestead exemption payments from the State remained stable, revenue sharing payments declined, and road assistance increased due to a change in the State's payment schedule.

**Unexpended Appropriations.** Notable unexpended appropriations lapsing to the General Fund in 2013 occurred in the areas of general administration (\$15,790), employee benefits (\$13,341), snow removal (\$20,690), road maintenance (\$37,289), and recycling and transfer station (\$29,490). With respect to general administration, budgeted computer services agreement costs were not incurred due to vendor time delays, and ongoing changes in staffing levels. The employee benefits budget was not fully utilized primarily due to the departure of three employees. Winter salt was underspent primarily as a result of an unexpected decrease in the price of the material. A proactive approach with road maintenance implemented a few years ago coupled with extensive road rehabilitation has reduced maintenance costs. An increase in recycling rates, as a result of converting to single-stream recycling, bidding for new contracted services, and reducing staff at the Facility (through attrition) resulted in costs being lower than budgeted.

**Overlay.** Of the \$122,870 raised for overlay, \$3,243 was used for the purpose of providing abatements. The remaining \$119,627 lapsed to the General Fund balance.

**Contingency.** The use of contingency was limited to two instances in 2013 totaling \$9,828. \$4,256 was spent for assistance relating to the proposed new flood plan maps. \$5,572 was expended towards measures associated with acquiring land abutting a Town landing.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

Harpswell maintains a healthy General Fund balance that is used to fund first quarter expenditures until such time as tax anticipation note financing is needed to fund expenditures up to the time when property tax revenue is collected.

The annual Town Meeting, which is held in March of each year, votes on the budget as recommended by the Selectmen.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of 2013, the Town's net investment in capital assets was \$10,908,997 and its outstanding debt \$2,875,002. All outstanding debt was incurred for capital purposes. \$2,850,002 of the outstanding debt primarily funded either road projects (\$2,180,002) or the emergency services vehicles account (\$670,000). During 2012, the Town entered into a capital lease to fund, in part, the purchase of certain media equipment of which \$36,000 was outstanding at the end of 2013. The principal payments (\$6,000) will be funded by annual grants to the Town by the holder of its cable franchise.

**Net Investment in Capital Assets**

	<b>Capital</b>		<b>Accumulated</b>		<b>Net Investment in</b>	
	<b>Assets</b>		<b>Depreciation</b>		<b>Capital Assets</b>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$2,203,611	\$2,187,901			\$2,203,611	\$2,187,901
Construction in progress	805,250	11,201			805,250	11,201
Other non-depreciable assets	335,900	335,900			335,900	335,900
Buildings and building improvements	3,993,312	3,979,668	(2,036,322)	(1,896,426)	1,956,990	2,083,242
Equipment, vehicles and furniture	2,147,197	1,861,370	(660,523)	(548,046)	1,486,674	1,313,324
Infrastructure	6,872,987	6,860,177	(2,752,415)	(2,608,297)	4,120,572	4,251,880
<b>Total capital assets</b>	<b>\$16,358,257</b>	<b>\$15,236,217</b>	<b>\$(5,449,260)</b>	<b>\$(5,052,769)</b>	<b>\$10,908,997</b>	<b>\$10,183,448</b>

Additions to land during 2013 included upgrades to the parking area at the Devil's Back trailhead and at Mackerel Cove.

Construction in progress at the end of 2013 includes costs associated with the reconstruction of Shore Acres, Thompson, Hildreth, Wharf and Long Point roads, a project on Bethel Point Road to replace a wide-span culvert in the waterway and the design of a building to house the Town's dedicated paramedic and the intercept vehicle. Each of these projects is expected to be completed in the first half of 2014.

2013 additions to Buildings and Building Improvements include \$8,445 to replace the boiler at the television studio and \$5,200 for a ramp at the Pott's Point dock.

Equipment, vehicles and furniture increased during 2013 as the Town purchased a tanker truck for \$281,744 which it leased to Cundy's Harbor Volunteer Fire & Rescue. Additionally, \$28,290 was expended to refurbish the Town's trash compactors and purchase two additional containers as the Town implemented single-stream recycling. Additionally, five balers previously used at the recycling center were taken out of service and scheduled for disposal. Additions to infrastructure in 2013 represent the costs of installing a dry hydrant on Bethel Point Road.

**TOWN OF HARPSWELL, MAINE**  
**Management's Discussion and Analysis, Continued**

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While all outstanding debt was incurred for the purchase of capital assets, \$459,346 is unexpended as of December 31, 2013. The full amount relates to capital road projects. Approximately \$370,000 will be required to complete the road projects started in 2013. An estimated additional \$93,000 will be required to stabilize an erosion issue at the beginning of Long Point Road.

The Town's programs for road rehabilitation and for purchasing fire and rescue vehicles are ongoing and multi-year. The Town anticipates a borrowing of \$600,000 in 2014 for road work and expects to use the emergency vehicles reserve for the purchase of an ambulance to be leased to Harpswell Neck Fire & Rescue. Looking forward, the Town will continue to assess the needs to upgrade the infrastructure at Mitchell Field, a major asset with business development possibilities. During 2012, a portion of the pier structure at Mitchell Field collapsed, and it is believed that certain of the remaining supports have been eroded. No decision has been made as to whether the pier should be replaced, demolished or partially rehabilitated. The cost of any of these alternatives has been estimated by an independent consultant to be in the \$1.7 to \$2 million range.

The ultimate disposition of the former West Harpswell School property remains uncertain. Effective July 1, 2013, the Town entered into a one-year lease of this property with Harpswell Coastal Academy, Inc. Whether and on what terms the lease may be renewed is unknown. The building is not being depreciated pending resolution of these uncertainties.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The economic climate has been slowly improving since the recession of 2008, with Harpswell's tax rate remaining relatively stable throughout the period of recovery.

At the time of this writing, the proposed 2014 municipal budget is expected to increase by 3.7%, primarily as a result of an expansion of the paramedic service and a higher annual payment on the Town's bonded indebtedness. An improved outlook in 2014 for many of the Town's revenue sources and use of fund balance will help offset the impact of the proposed budget increase. While the amount of revenue sharing received from the State of Maine has been decreasing over recent years, the Town's largest source of non-property tax revenue—automobile excise and registration fees—exceeded projections in 2013 and is expected to remain strong in 2014. The increase in this revenue source is considered an indicator of improving economic conditions. Note that while the Town will no longer be receiving revenue from the sale of recyclables (because of a changeover to single-stream collection in the latter half of 2013), it will see that revenue loss offset by an immediate decrease in operational costs that resulted from a reduction in the workforce and from long-term savings in the area of capital investment.

With the continuation of historically low interest rates, the Town will again consider a borrowing in 2014 for another major capital road project. While this borrowing will not affect the 2014 tax rate, its principal and interest payments will impact subsequent year tax rates.

The largest expenditure affecting the tax rate is the Town's contribution to its school district (MSAD # 75). The school budget process is just beginning and its impact on the Town's tax rate in 2014 remains unknown at this time, however, preliminary indications are that MSAD # 75 expects another difficult year.

The County tax rate is slated to increase 4.85%, from \$1,128,378 in 2013 to \$1,183,087 in 2014.

With regard to real estate, the number of real estate sales has been steadily increasing; sale prices have been relatively consistent with assessed values. Taxable value in the Town increased by over \$11 million dollars in 2013, and is expected to increase by a similar amount in 2014.

#### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designated to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Selectmen's Office at P. O. Box 39, 263 Mountain Road, Harpswell, Maine 04079-0039 or by phone at (207) 833-5771.

## **BASIC FINANCIAL STATEMENTS**





**TOWN OF HARPSWELL, MAINE**  
**Statement of Net Position**  
**December 31, 2013**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,425,627
Receivables:	
Taxes	345,631
Liens	64,944
Accounts	55,157
Prepaid items	16,627
Capital assets:	
Capital assets, not being depreciated	3,344,761
Other capital assets, net of accumulated depreciation	7,564,236
Total assets	16,816,983
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	240,989
Unearned revenue	9,092
Accrued interest	11,281
Noncurrent liabilities:	
Due within one year	419,334
Due in more than one year	2,515,136
Total liabilities	3,195,832
<b>NET POSITION</b>	
Net investment in capital assets	8,457,341
Restricted for:	
Capital projects and grants	1,187,017
Unrestricted	3,976,793
Total net position	\$ 13,621,151

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Activities**  
**For the year ended December 31, 2013**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Governmental activities:					
General government	\$ 1,344,318	-	-	-	(1,344,318)
Public works	970,835	165,638	64,352	-	(740,845)
Protection and safety	1,047,004	-	-	-	(1,047,004)
Health and welfare	31,386	-	8,995	-	(22,391)
Cultural and recreation	321,335	48,820	12,681	-	(259,834)
Education	6,762,429	-	-	-	(6,762,429)
County taxes	1,128,378	-	-	-	(1,128,378)
Overlay/abatements	3,243	-	-	-	(3,243)
Interest expense	74,036	-	-	-	(74,036)
Capital and special projects	172,106	-	8,162	-	(163,944)
<b>Total governmental activities</b>	<b>11,855,070</b>	<b>214,458</b>	<b>94,190</b>	<b>-</b>	<b>(11,546,422)</b>

## General revenues:

Property taxes, levied for general purposes	10,305,306
Excise taxes	1,041,611
Interest and fees on property taxes	23,090
Intergovernmental	155,386
Interest earned	5,361
Miscellaneous	299,765
<b>Total general revenues</b>	<b>11,830,519</b>

Change in net position 284,097

Net position - beginning 13,337,054

**Net position - ending \$ 13,621,151**

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2013**

	General	Road Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,425,627	-	-	5,425,627
Receivables:				
Taxes	345,631	-	-	345,631
Liens	64,944	-	-	64,944
Other	55,157	-	-	55,157
Interfund receivables	-	696,475	527,781	1,224,256
Prepaid items	16,627	-	-	16,627
<b>Total assets</b>	<b>\$ 5,907,986</b>	<b>696,475</b>	<b>527,781</b>	<b>7,132,242</b>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	240,989	-	-	240,989
Unearned revenue - taxes paid in advance	3,532	-	-	3,532
Unearned revenue - other	5,560	-	-	5,560
Interfund payables	1,224,256	-	-	1,224,256
<b>Total liabilities</b>	<b>1,474,337</b>	<b>-</b>	<b>-</b>	<b>1,474,337</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	290,000	-	-	290,000
<b>Total deferred inflows of resources</b>	<b>290,000</b>	<b>-</b>	<b>-</b>	<b>290,000</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid Insurance	16,627	-	-	16,627
Restricted:				
Capital projects and grants	-	696,475	490,542	1,187,017
Committed:				
Land acquisition	85,000	-	-	85,000
Expanded paramedic coverage	34,800	-	-	34,800
Assigned:				
General fund	594,213	-	-	594,213
Recreation	-	-	37,239	37,239
Unassigned	3,413,009	-	-	3,413,009
<b>Total fund balances</b>	<b>4,143,649</b>	<b>696,475</b>	<b>527,781</b>	<b>5,367,905</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,907,986</b>	<b>696,475</b>	<b>527,781</b>	

Amounts reported for governmental activities in the Statement of Net Position (Statement 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,908,997
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	290,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	
Bonds payable and capital lease obligation	(2,911,002)
Compensated absences payable	(23,468)
Accrued interest	(11,281)

**Net position of governmental activities** **\$ 13,621,151**

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance:**  
**Governmental Funds**  
**For the year ended December 31, 2013**

	<b>General</b>	<b>Road Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Revenues:				
Taxes	\$ 11,370,007	-	-	11,370,007
Intergovernmental	228,733	-	8,162	236,895
Miscellaneous	494,046	-	62,219	556,265
Total revenues	12,092,786	-	70,381	12,163,167
Expenditures:				
Current:				
General government	1,260,319	-	-	1,260,319
Public works	753,802	-	-	753,802
Protection and safety	949,396	-	-	949,396
Health and welfare	31,386	-	-	31,386
Cultural and recreation	241,491	-	61,215	302,706
Education	6,762,429	-	-	6,762,429
County taxes	1,128,378	-	-	1,128,378
Overlay/abatements	3,243	-	-	3,243
Debt service	393,366	-	-	393,366
Capital and special projects	250,750	772,723	291,093	1,314,566
Total expenditures	11,774,560	772,723	352,308	12,899,591
Excess (deficiency) of revenues over (under) expenditures	318,226	(772,723)	(281,927)	(736,424)
Other financing sources (uses):				
Proceeds from long-term debt	1,000,000	-	-	1,000,000
Transfers (to) from other funds	(1,160,850)	1,000,000	160,850	-
Total other financing sources (uses)	(160,850)	1,000,000	160,850	1,000,000
Net change in fund balances	157,376	227,277	(121,077)	263,576
Fund balances, beginning of year, as restated	3,986,273	469,198	648,858	5,104,329
<b>Fund balances, end of year</b>	<b>\$ 4,143,649</b>	<b>696,475</b>	<b>527,781</b>	<b>5,367,905</b>

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended December 31, 2013**

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Net change in fund balances - total governmental funds (from Statement 4)	\$	263,576
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital outlays		1,151,103
Disposals of capital assets, net		(8,643)
Depreciation expense		(416,911)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the decrease in unavailable revenue - property taxes in the funds.		
		(24,000)
Proceeds from long-term borrowing or capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This represents the proceeds (\$1,000,000) net of the repayments (\$319,333).		
		(680,667)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the change in accrued compensated absences.		
		(358)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund financial statements since future repayment does not require the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
		(3)
<b>Change in net position of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>284,097</b>

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*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the year ended December 31, 2013**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 11,264,516	11,264,516	11,370,007	105,491
Intergovernmental	192,345	192,345	228,733	36,388
Miscellaneous	438,400	438,400	494,046	55,646
Total revenues	11,895,261	11,895,261	12,092,786	197,525
Expenditures:				
Current:				
General government	1,329,559	1,334,552	1,260,319	74,233
Public works	841,462	841,462	753,802	87,660
Protection and safety	974,233	974,233	949,396	24,837
Health and welfare	34,380	34,380	31,386	2,994
Cultural and recreation	242,182	242,182	241,491	691
Education	6,762,429	6,762,429	6,762,429	-
County taxes	1,128,378	1,128,378	1,128,378	-
Overlay/abatements	122,870	122,870	3,243	119,627
Debt service	395,000	395,000	393,366	1,634
Capital and special projects	295,918	766,027	250,750	515,277
Total expenditures	12,126,411	12,601,513	11,774,560	826,953
Excess (deficiency) of revenues over (under) expenditures	(231,150)	(706,252)	318,226	1,024,478
Other financing sources (uses):				
Proceeds from long-term debt	1,000,000	1,000,000	1,000,000	-
Transfer to / from other funds	(1,160,850)	(1,160,850)	(1,160,850)	-
Budgeted use of unassigned fund balance	392,000	392,000	-	(392,000)
Budgeted use of carryforward balances	-	521,632	-	(521,632)
Budgeted use of contingency	-	(46,530)	-	46,530
Total other financing sources (uses)	231,150	706,252	(160,850)	(867,102)
Net change in fund balance	-	-	157,376	157,376
Fund balance, beginning of year, as restated			3,986,273	
<b>Fund balance, end of year</b>			<b>\$ 4,143,649</b>	

*See accompanying notes to financial statements.*

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements**

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**THE REPORTING ENTITY**

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The Town of Harpswell, Maine, incorporated on January 25, 1758, currently operates under a Town Meeting-Selectmen form of government with a Town Administrator as the chief administrator of the Town. The Board consists of three members elected by the registered voters for three year terms.

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's basic financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organizations governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities within the Town that should be included as part of these basic financial statements.

The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**A. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds (if any) are reported as separate columns in the fund financial statements.



**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The road projects fund accounts for financial resources used in major road rehabilitation projects.

Additionally, the Town reports several nonmajor funds in the following fund categories:

Special revenue funds account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary or trust funds).

**C. Budgetary Accounting**

Each year a budget is adopted for the General Fund only, and is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The level of control (level at which expenditures may not exceed budget) is the Town meeting warrant article level.

The Town Meeting adopts the annual budget in March of that budget year and, accordingly, the previous year's Town Meeting authorizes the Board of Selectmen to spend 25% of the previous year's budget in the first three months of the current year.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. However, portions of the General Fund fund equity can be assigned for future periods by the Selectmen. A comparison of budget to actual is presented in the financial statements on Statement 6. The difference between original budget and final budget amounts represent approved carryovers from prior years.

**D. Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Town policy is that deposits can only be made in financial institutions insured by the F.D.I.C. or collateralized by the depository institution in the Town's name. The Town invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines approved by the Board of Selectmen.

**E. Inventories of Supplies**

Inventories of supplies are considered to be expenditures at the time of purchase rather than when consumed, and are not included in the general fund balance sheet.

**F. Short-term Interfund Receivables/Payables**

During the course of normal operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund receivables or payables" on the balance sheet.

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide resources, construct assets and service debt. These transactions, if any, are reported as transfers.

**G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Straight-line depreciation is used based on the following estimated useful lives:

Buildings and building improvements	25 to 50 years
Infrastructure	20 to 50 years
Equipment, vehicles and furniture	5 to 30 years

Capital assets, not being depreciated, includes land, construction in progress and the West Harpswell School property. The West Harpswell School building and other assets are not being depreciated as they are not exhaustible assets. The building will be depreciated only if there is a Town Meeting decision to retain ownership and utilize it.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**H. Deferred Outflows/Inflows of Resources**

In addition to assets, the governmental funds balance sheet sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

**I. Long-term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. The face amount of debt is reported as other financing sources.

**J. Fund Equity**

In the fund financial statements, governmental fund balance is presented in five possible categories:

*Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

*Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.

*Assigned* – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Committed fund balance amounts are determined by the legislative body which also would be required to modify or rescind those commitments. For assigned fund balance, management determines amounts to be carried forward for uncompleted projects previously authorized by the legislative body for specific purposes in the General Fund at year end. The select board votes to authorize assigned amounts.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the Town's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the Town's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**K. Fund Balance Policy**

It is the Town's policy that its year end general fund balance equal 25% of the expenditures of the previous year. Any amount in excess of this fund balance may be used to reduce the following year's tax commitment. Further, any restricted fund balance shall not be expended for other than the stated restricted purpose.

**L. Comparative Data / Restatements**

Comparative total data for the prior period have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

The general fund and special revenue: recreation fund balances as of December 31, 2012 have been restated to include the Joyce Brown swim donations in the recreation fund balance.

**M. Compensated Absences**

Under terms of personnel policies of the Town, vacation leave is granted in varying amounts according to length of service. No sick leave is granted at the time of employee termination. Unused vacation leave is reported in the government-wide financial statements. No expenditure is reported for this amount on the fund financial statements unless due and payable.

**N. Use of Estimates**

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

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**CASH AND CASH EQUIVALENTS**

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**Deposits**

*Custodial Credit Risk-Town Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk. As of December 31, 2013, the Town reported deposits of \$5,425,627 with a bank balance of \$5,416,139. All of the Town's bank balances were collateralized by FDIC insurance and therefore, none were exposed to custodial credit risk.

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**PROPERTY TAX**

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The Town's property taxes for the current year were committed on August 5, 2013, on the assessed value listed as of April 1, 2013 for all real and personal property located in the Town. Taxes were due on September 16, 2013 and December 16, 2013; interest was charged at 6% on all unpaid taxes after those dates. Assessed values are periodically established by the Assessor at 100% of assumed market value. The Town has a certified ratio of 97%. The following summarizes the 2013 and 2012 levy:

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

**PROPERTY TAX, CONTINUED**

	<u>2013</u>	<u>2012</u>
Assessed value:		
Real property	\$1,772,676,900	1,761,678,700
Personal property	5,959,100	5,848,400
Total valuation	1,778,636,000	1,767,527,100
 Tax rate (per \$1,000)	 5.78	 5.76
Tax commitment	10,280,516	10,180,956
Less: collections and abatements (net of supplements)	(9,934,885)	(9,806,584)
 <b>Taxes receivable at December 31</b>	 <b>\$ 345,631</b>	 <b>374,372</b>
 Due dates	 ½ September 16, 2013 ½ December 16, 2013	 ½ September 17, 2012 ½ December 17, 2012
Interest rate on delinquent taxes	6.00%	6.00%
Collection rate	96.64%	96.32%

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$122,870 for the year ended December 31, 2013. Property taxes levied during the year are recorded as receivables at the time the levy is made. The receivables collected during the year and in the first sixty days following the end of the fiscal year are recorded as revenues. The remaining receivables are recorded as unavailable revenues. Tax payments received in advance of a levy are reported as unearned revenue.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Property acquired by foreclosure for nonpayment of taxes is recorded at the amount of expired tax liens plus the costs involved in foreclosure. Liens and any current taxes on the same period are not included as part of the tax acquired property account until expiration of statutory time limits.

**INTERFUND RECEIVABLES AND PAYABLES**

Individual interfund receivables and payables balances at December 31, 2013 were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	1,224,256
Special Revenue Funds:		
Restricted grants	2,520	-
Recreation	37,239	-
Capital Projects Fund:		
Emergency vehicles	488,022	-
Road projects	696,475	-
 <b>Totals</b>	 <b>\$1,224,256</b>	 <b>1,224,256</b>

**CAPITAL ASSETS**

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

Capital asset activity for the year ended December 31, 2013 was as follows:

	December 31, <u>2012</u>	<u>Increase</u>	<u>Decrease</u>	December 31, <u>2013</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,187,901	15,710	-	2,203,611
Construction in progress	11,201	794,049	-	805,250
Other non-depreciable assets	335,900	-	-	335,900
Total capital assets not being depreciated	2,535,002	809,759	-	3,344,761
Capital assets, being depreciated:				
Buildings and improvements	3,979,668	13,644	-	3,993,312
Equipment, vehicles and furniture	1,861,370	314,890	29,063	2,147,197
Infrastructure	6,860,177	12,810	-	6,872,987
Total capital assets being depreciated	12,701,215	341,344	29,063	13,013,496
Less accumulated depreciation for:				
Buildings and improvements	1,896,426	139,896	-	2,036,322
Equipment, vehicles and furniture	548,046	132,897	20,420	660,523
Infrastructure	2,608,297	144,118	-	2,752,415
Total accumulated depreciation	5,052,769	416,911	20,420	5,449,260
Total capital assets being depreciated, net	7,648,446	(75,567)	8,643	7,564,236
<b>Governmental activities capital assets, net</b>	<b>\$10,183,448</b>	<b>734,192</b>	<b>8,643</b>	<b>10,908,997</b>

In August 2011, the Town voted to accept the West Harpswell School property from M.S.A.D. 75 after previously having voted to close this school. The property, which consists of land, buildings and certain other assets, primarily artwork, has been recorded in the Statement of Net Position at the estimated fair market values of those assets at the time of the acceptance; \$150,000, \$229,000 and \$106,900, respectively. The land and other assets are not being depreciated as they are not exhaustible assets. The building will be depreciated only if there is a Town meeting decision to retain ownership and utilize it.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 83,641
Public works	217,033
Protection and safety	97,608
Cultural and recreation	18,629
<b>Total depreciation expense – governmental activities</b>	<b>\$ 416,911</b>

Equipment with a cost of \$1,386,416 and accumulated depreciation of \$263,294 has been leased under 10 or 20 year agreements to one of the three independent fire and rescue departments serving the Town. The cost of insuring and maintaining the vehicles is borne by the departments.

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SHORT-TERM DEBT

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**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

**Tax Anticipation Note**

Under the authority of Title 30-A, Section 5771 of the Maine Revised Statutes, as amended, a resolution was adopted by the Board of Selectmen at their May 23, 2013 meeting authorizing the Treasurer to borrow up to \$2,965,000 to be due on or before December 31, 2013. In June \$1,500,000 was drawn and in July \$500,000. The outstanding principal and interest was paid before December 31, 2013. The total interest paid on this note was \$5,895. Since there is no beginning or ending balance at December 31, 2012 and 2013, it has not been included in the debt note which follows.

**LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2013, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
Bonds payable	\$ 2,188,335	1,000,000	313,333	2,875,002	413,334
Capital lease obligation	42,000	-	6,000	36,000	6,000
Compensated absences payable	23,110	39,762	39,404	23,468	-
<b>Governmental activity</b>					
<b><u>long-term liabilities</u></b>	<b><u>\$ 2,253,445</u></b>	<b><u>1,039,762</u></b>	<b><u>358,737</u></b>	<b><u>2,934,470</u></b>	<b><u>419,334</u></b>

**Bonds Payable**

Bonds payable at December 31, 2013 are comprised of the following:

	<u>Issue date</u>	<u>Maturity date</u>	<u>Amount issued</u>	<u>Interest rate</u>	<u>Balance December 31, 2013</u>
Governmental activities:					
2004 Capital Roads, Old Town					
Meetinghouse restoration:	10/28/04	11/01/16	700,000	1.00-9.00%	175,002
2008 Emergency vehicles	10/30/08	11/01/18	500,000	2.075-5.575%	250,000
2009 Ash Point road rehab	05/28/09	11/01/19	650,000	2.08-5.58%	390,000
2010 Emergency vehicles	10/28/10	11/01/20	600,000	2.00-5.50%	420,000
2011 Capital road project	05/26/11	11/01/21	800,000	2.12-5.62%	640,000
2013 Capital road project	05/23/13	11/01/23	1,000,000	.60-2.38%	<u>1,000,000</u>
<b><u>Total bonds payable</u></b>					<b><u>\$ 2,875,002</u></b>

During 2012, the Town entered into a capital lease to fund, in part, the purchase of certain media equipment. As of December 31, 2013, the balance of \$36,000 represents the principal obligation under the capital lease and will be repaid in six equal installments of \$6,000. Interest accrues at a rate per annum of 3.02% and is payable annually. The principal payments will be funded by annual grants to the Town by the holder of its cable franchise.

**LONG-TERM LIABILITIES, CONTINUED**

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

The annual requirements to amortize outstanding debt, including capital lease obligations, as of December 31, 2013 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$419,334	66,663	485,997
2015	419,334	54,891	474,225
2016	419,334	44,697	464,031
2017	361,000	36,390	397,390
2018	361,000	29,470	390,470
2019-2023	931,000	48,645	979,645
<b>Total</b>	<b>\$2,911,002</b>	<b>280,756</b>	<b>3,191,758</b>

All governmental activities long-term debt requirements are paid by the general fund.

**Debt authorized but unissued** – The Town is authorized to borrow up to \$50,000 for failed septic system remediation and \$220,000 for the acquisition of a public access easement to a beach on Bailey Island.

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**STATUTORY DEBT LIMIT**

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The laws of the State of Maine limit types of municipal borrowing to specific percentages of the State valuation of the municipality. At December 31, 2013, the Town was in compliance with these restrictions.

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**OVERLAPPING DEBT**

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The Town's proportionate share of debt of all local government units which provide services within the Town's boundaries, and which must be borne by properties in the Town is summarized as follows:

<u>Units</u>	<u>Net debt outstanding at December 31, 2013</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$ 36,149,699	4.63%	1,673,557
MSAD 75 / RSU 75	9,506,296	39.03%	3,710,307

The Town's proportionate share of the County and District debt is paid through annual assessments.

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**INTERFUND TRANSFERS**

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Individual fund transfers for the year ended December 31, 2013 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	1,160,850
Special revenue funds:		
Recreation	10,850	-
Capital projects fund:		
Road projects	1,000,000	-
Emergency vehicles	150,000	-
Total capital projects fund	1,150,000	-
<b>Total transfers</b>	<b>\$1,160,850</b>	<b>1,160,850</b>

These transfers were budgeted transfers to fund certain activities.

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**BUDGETED USE OF SURPLUS**

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**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

During the year ended December 31, 2013, the Town budgeted to utilize prior year unassigned fund balance as a budgeted use of surplus. The amount consists of the following:

2012 carry forward balance	\$521,632
Use of surplus – current year:	
Reduction of tax commitment	392,000
<b>Total</b>	<b>\$913,632</b>

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**RESTRICTED GRANTS**

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The Town classifies grant awards as restricted grants in the Town's special revenue fund. The December 31, 2013 fund balance of restricted grants consisted of the following awards:

<b><u>Grant Award</u></b>	<b>Balance beginning of year</b>	<b><u>Revenues</u></b>	<b><u>Expenditures</u></b>	<b>Balance end of year</b>
Right of way	\$ 1,374	-	-	1,374
Harbor Management Plan	360	-	-	360
Davis Conservation Fund	550	-	-	550
Shoreland Zoning Review	1,171	-	935	236
CDBG – Economic Development	-	4,000	4,000	-
MMA safety	-	2,000	2,000	-
Mitchell Field Community Garden	-	1,922	1,922	-
Maine DEP – pump out float	-	240	240	-
Planning brochures	252	-	252	-
<b>Total restricted grants</b>	<b>\$3,707</b>	<b>8,162</b>	<b>9,349</b>	<b>2,520</b>

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**COMMITTED FUND BALANCES**

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On November 5, 2013, Town Meeting authorized spending up to \$85,000 from unassigned fund balance to acquire land abutting an existing Town landing. A Contract for Sale has been signed; however the timing of the closing is uncertain.

On December 7, 2013, Town Meeting authorized spending \$34,800 from unassigned fund balance to increase the dedicated paramedic coverage from January through March 2014.

Each of the above amounts is reported as committed fund balance.

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**ASSIGNED FUND BALANCES**

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At December 31, 2013, assigned fund balance consisted of the following:

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

<u>Fund</u>	<u>Assigned balance</u>
Appropriation carryovers:	
Dry hydrants development reserve	\$2,780
Legislative assistance agent	1,800
Land acquisition	1,279
Vehicles & equipment replacement	46,478
Boat/motor replacement	23,243
Voting machines	12,300
Heating assistance reserve	17,385
Generator replacement	41,000
Town Office & facilities improvements	45,555
Land purchase, map 42, lot 6	3,318
Self-insurance reserve	743
Marine hazards	3,522
Failed septic system reserve	22,649
Recycling	45,986
Assessing records update	20,235
Mitchell Field - other	1,478
Mitchell Field – Pier	8,873
Energy Conservation	2,502
Emergency communication equipment	11,521
Property tax assistance program	15,702
Office equipment	12,705
Hildreth Road property	3,034
Economic Development	5,510
Emergency Services Garage	137,244
West Harpswell School capital	15,000
West Harpswell School gym floor	9,400
Old Town House	2,000
Conservation Subdivision Consultant	1,000
Assigned revenues:	
Sale of Town property	7,001
West Harpswell School lease proceeds	10,000
Heating assistance	13,971
Cable related technology	10,197
General Assistance – food	300
Mitchell Field boat ramp or bandstand	1,800
Plus contingency	36,702
<b><u>Total assigned fund balance – General Fund</u></b>	<b><u>\$594,213</u></b>

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**NET POSITION**

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**Net Position** - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bond

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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and capital leases obligations used for this purpose and adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at December 31, 2013:

Capital assets	\$ 16,358,257
Accumulated depreciation	(5,449,260)
Bonds payable and capital lease obligation	(2,911,002)
Unspent bond proceeds	459,346
<b><u>Total net investment in capital assets</u></b>	<b><u>\$ 8,457,341</u></b>

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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**RISK MANAGEMENT**

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The Town is exposed to various risks of loss torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for Workers' Compensation coverage. Based on these coverages, no known liabilities exist at December 31, 2013.

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**CONTINGENT LIABILITIES**

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**Litigation** - The Town is subject to certain legal proceedings which arise in the normal course of business. In the opinion of management, the Town has defensible positions in any/all pending cases. Further, any future liabilities are covered by insurance or will not materially affect the financial position of the Town.

**State and Federal Grants** - The Town participates in numerous state and federal programs which are governed by various rules and regulations imposed by the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any moneys received may be required. There are no material contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**Mitchell Field Pier** – During 2012, a portion of the pier structure collapsed, and it is believed that certain of the remaining supports have been eroded. No decision has been made whether the pier should be replaced, demolished or partially rehabilitated. The cost of any of these alternatives has been estimated by an independent consultant to be in the \$1.7 to \$2 million range. If the Town takes no action and there is a further collapse, specific action may be required by regulatory agencies.

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**OPERATING LEASE**

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Effective July 1, 2013, the Town entered into a one-year lease with Harpswell Coastal Academy, Inc. (HCA) for the former West Harpswell School property. The Town receives lease payments of \$2,000 a month beginning in August and agreed to reserve \$9,400 for certain potential repairs, to fund up to \$10,000 of HCA's operating

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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expenses out of the 2013 appropriation and to make specified improvements to the building as long as the cost of these improvements does not exceed lease payments received.

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN**

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**Description of the Plan** - The Town contributes to the Maine Public Employees Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State Legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy** - Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The contribution rates of plan members and the Town of Harpswell are established and may be amended by the Maine Public Employees Retirement Board of Trustees. The Town's contributions to the Maine Public Employees Retirement System Consolidated Plan for the years ended December 31, 2013, 2012 and 2011 were \$6,675, \$6,473 and \$5,709, respectively, equal to the required contributions.

Effective March 14, 1998, this benefit is no longer available to new Town employees. Those employees already in the plan may continue under the same terms or may terminate and join the deferred compensation plan.

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**DEFERRED COMPENSATION PLAN**

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The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the International City Management Association Retirement Corporation.

The deferred compensation plan is available to all full and regular part time employees of the Town who work 20 hours or more per week on a regularly scheduled basis and who are not already participating in another plan. Under the plan, employees may elect to defer a portion of their salary and avoid paying income taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The Town's computed contribution to this plan for the years ended December 31, 2013, 2012 and 2011 was \$23,003, \$19,129 and \$18,307, respectively. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

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**RETIREMENT PLAN – RECYCLING CENTER EMPLOYEES**

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The Town offers its recycling center employees a pension plan through the I.A.M. National Pension Fund.

The Town contributes on behalf of eligible employees of the recycling center who have worked during the plan year. There are no voluntary contributions by the employees allowed in this plan. The Town's expense under the plan for the years ended December 31, 2013, 2012 and 2011 was \$11,696, \$13,909 and \$15,437, respectively.

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**RETIREMENT PLAN – RECYCLING CENTER EMPLOYEES, CONTINUED**

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The funds contributed by the Town to the plan are held in trust by the I.A.M. National Pension Fund for the exclusive use of benefit participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

**TOWN OF HARPSWELL, MAINE**  
**Notes to Financial Statements, Continued**

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**COMMITMENTS**

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On January 9, 2014, the Town contracted for the construction of an emergency services building, which will house a dedicated paramedic and intercept vehicle. The project is expected to be completed in May 2014 at a cost of \$116,270.

Additionally, at December 31, 2013, the Town was obligated under contracts for law enforcement, marine patrol, emergency dispatch, dedicated paramedic and snow removal services in amounts totaling approximately \$645,000.

## **GENERAL FUND**

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds.



**TOWN OF HARPSWELL, MAINE**  
**Comparative Balance Sheets**  
**General Fund**  
**December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,425,627	4,984,508
Receivables:		
Taxes	345,631	374,372
Tax liens and acquired properties	64,944	84,330
Other	55,157	70,940
Prepaid items	16,627	16,089
<b>Total assets</b>	<b>\$ 5,907,986</b>	<b>5,530,239</b>
<b>LIABILITIES</b>		
Accounts payable and other liabilities	240,989	80,046
Unearned revenue - taxes paid in advance	3,532	15,574
Unearned revenue - other	5,560	16,290
Interfund payables:		
Special Revenue	39,759	29,810
Capital Projects	1,184,497	1,088,246
<b>Total liabilities</b>	<b>1,474,337</b>	<b>1,229,966</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	290,000	314,000
<b>Total deferred inflows of resources</b>	<b>290,000</b>	<b>314,000</b>
<b>FUND BALANCE</b>		
Nonspendable:		
Prepaid Insurance	16,627	16,089
Committed:		
Land acquisition	85,000	-
Expanded paramedic coverage	34,800	-
Assigned	594,213	521,632
Unassigned	3,413,009	3,448,552
<b>Total fund balance</b>	<b>4,143,649</b>	<b>3,986,273</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 5,907,986</b>	<b>5,530,239</b>



**TOWN OF HARPSWELL, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis of Accounting)**  
**For the year ended December 31, 2013**

	Budgeted amounts		Actual	Variance positive (negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 10,280,516	10,280,516	10,281,306	790
Change in unavailable revenue	-	-	24,000	24,000
Interest and fees on property taxes	22,000	22,000	23,090	1,090
Excise taxes and registration fees	962,000	962,000	1,041,611	79,611
Total taxes	11,264,516	11,264,516	11,370,007	105,491
Intergovernmental:				
State revenue sharing	80,000	80,000	90,839	10,839
Local road assistance URIP	52,000	52,000	64,352	12,352
Homestead exemption and BETE	40,345	40,345	40,247	(98)
Tree growth	8,000	8,000	10,775	2,775
General assistance	6,000	6,000	8,995	2,995
Veterans exemption	3,000	3,000	2,921	(79)
Other	3,000	3,000	10,604	7,604
Total intergovernmental	192,345	192,345	228,733	36,388
Miscellaneous:				
Interest earned	8,500	8,500	5,361	(3,139)
Copies and records	4,000	4,000	4,515	515
Cable TV franchise fee	70,000	70,000	76,106	6,106
Cable technology & capital equipment	11,400	11,400	11,400	-
Licenses, fees and permits	146,100	146,100	156,643	10,543
Fines	-	-	700	700
Recycling center and disposal fees	165,000	165,000	165,638	638
Donations and gifts	10,000	10,000	25,446	15,446
Sale of property	1,500	1,500	7,301	5,801
West Harpswell School lease	-	-	10,000	10,000
Tower lease	19,500	19,500	19,963	463
Unclassified	2,400	2,400	10,973	8,573
Total miscellaneous	438,400	438,400	494,046	55,646
Total revenues	11,895,261	11,895,261	12,092,786	197,525

**TOWN OF HARPSWELL, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis of Accounting), Continued**  
**For the year ended December 31, 2013**

For the year ended December 31, 2019							
Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
Expenditures:							
General government:							
13	Elected officials	\$ -	121,441	121,441	119,687	1,754	-
General administration:							
14	Administration	-	269,520	269,520	253,730	15,790	-
14	Public information	-	9,000	9,000	9,127	(127)	-
14	Risk management	-	60,111	60,111	50,781	9,330	-
14	Legal services	-	35,000	35,000	33,671	1,329	-
15	Memberships	-	15,863	15,863	15,863	-	-
16	Assessing	-	74,946	74,946	70,164	4,782	-
17	Tax collector's office	-	29,400	29,400	26,438	2,962	-
18	Town clerk's office	-	52,452	52,452	46,709	5,743	-
19	Treasurer	-	21,950	21,950	17,426	4,524	-
20	Code enforcement	-	108,371	108,371	108,198	173	-
21	Planning	-	77,352	77,352	72,593	4,759	-
22	Consultant re: Conservation Subc	-	15,000	15,000	14,000	1,000	1,000
29	Employee benefits	-	317,172	317,172	303,831	13,341	-
30	Boards and committees	-	6,431	6,431	5,392	1,039	-
Operations and maintenance:							
31	Municipal buildings and property	-	66,750	66,750	67,503	(753)	-
31	Old town house and commons	-	7,500	7,500	4,047	3,453	2,000
31	Town dock	-	13,550	13,550	10,652	2,898	-
31	Town lands and landings	4,993	20,750	25,743	24,907	836	-
32,33	Cemeteries	-	7,000	7,000	5,600	1,400	-
Total general government		4,993	1,329,559	1,334,552	1,260,319	74,233	3,000
Public works:							
40	Snow removal	-	403,756	403,756	383,066	20,690	-
40	Maintenance	-	90,000	90,000	52,711	37,289	-
40	Road, street signs	-	2,000	2,000	1,809	191	-
23	Recycling and transfer station	-	345,706	345,706	316,216	29,490	-
Total public works		-	841,462	841,462	753,802	87,660	-
Protection and safety:							
44,45	Emergency services	-	201,890	201,890	195,879	6,011	-
43	Emergency services garage	-	8,000	8,000	-	8,000	-
41	Contracted paramedic services	-	123,000	123,000	123,000	-	-
46	Street lighting	-	22,500	22,500	22,213	287	-
25	Harbor management	-	42,216	42,216	40,410	1,806	-
24	Animal control	-	25,412	25,412	23,880	1,532	-
47,48	Law enforcement and communication	-	352,635	352,635	352,635	-	-
49,50	Shellfish conservation	-	198,580	198,580	191,379	7,201	-
Total protection and safety		-	974,233	974,233	949,396	24,837	-
Health and welfare:							
	Health and welfare restricted gif	-	-	-	-	-	300
51	Health and welfare	-	34,380	34,380	31,386	2,994	-
Total health and welfare		-	34,380	34,380	31,386	2,994	300
Cultural and recreation:							
52	Cultural and education programs	-	36,303	36,303	36,116	187	-
3	Curtis Memorial Library	-	123,904	123,904	123,904	-	-
53	Harpswell Community Broadcasting	-	55,000	55,000	55,000	-	-
27	Recreation - general	-	26,975	26,975	26,471	504	-
Total cultural and recreation		-	242,182	242,182	241,491	691	-

**TOWN OF HARPSWELL, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis of Accounting), Continued**  
**For the year ended December 31, 2013**

For the year ended December 31, 2019							
Article		Balances	Budgeted amounts			Variance	Balances
#	Account	carried forward	Original	Final	Actual	positive (negative)	carried forward
Expenditures, continued							
CF, 58	A. Dennis Moore Recycling / Transfer St.	\$ 48,342	30,000	78,342	32,356	45,986	45,986
Other capital / carryovers / reserves:							
CF, 58	Dry hydrant development	15,590	-	15,590	12,810	2,780	2,780
CF	Land acquisition	1,279	-	1,279	-	1,279	8,280 **
CF, 58	Vehicle replacement & vehicle equipment	43,463	45,000	88,463	41,985	46,478	46,478
CF	Update of assessing records	20,235	-	20,235	-	20,235	20,235
CF, 58	Emergency communication equipment	6,521	5,000	11,521	-	11,521	11,521
11	Land acquisition map 42, lot 6	-	3,318	3,318	-	3,318	3,318
CF, 58	Boat and motor replacement	13,243	10,000	23,243	-	23,243	23,243
CF	Voting machines	12,300	-	12,300	-	12,300	12,300
CF	Generator replacement	41,000	-	41,000	-	41,000	41,000
CF	T/O & Facilities Improvements	54,000	-	54,000	8,445	45,555	45,555
CF, 42	Emergency Services Garage	74,000	76,000	150,000	12,756	137,244	137,244
CF, 58	Office equipment	7,705	5,000	12,705	-	12,705	12,705
CF	Conservation fund	5,000	-	5,000	10,572	(5,572)	- *
CF, 61	Cable related technology account	10,800	5,400	16,200	6,003	10,197	10,197 **
CF, 54	Public, educational & governmental equipment	-	6,000	6,000	6,000	-	- ***
CF	Legislative agent	1,800	-	1,800	-	1,800	1,800
CF	Economic development	9,813	-	9,813	4,303	5,510	5,510
CF	Self insurance reserve	1,254	-	1,254	511	743	743
CF, 57	Heating assistance	24,636	12,000	36,636	19,251	17,385	31,356 **
CF	Marine hazards	3,522	-	3,522	-	3,522	3,522
CF	Failed septic systems	22,649	-	22,649	-	22,649	22,649
16	Aerial map updates	-	4,000	4,000	4,000	-	-
55	PEG Equipment warranty	-	6,400	6,400	6,390	10	-
CF	FEMA Consultant	3,529	-	3,529	7,785	(4,256)	- *
CF	Energy Conservation	2,502	-	2,502	-	2,502	2,502
CF, 56	Property tax assistance program	25,652	10,000	35,652	19,950	15,702	15,702
CF	Hildreth Road wetland delineation & survey	3,650	-	3,650	616	3,034	3,034
CF	Mitchell Field - infrastructure/demolition	8,373	-	8,373	8,373	-	-
CF	Mitchell Field - other	1,478	-	1,478	-	1,478	1,478
37	Mitchell Field - operations	-	14,800	14,800	11,144	3,656	-
	Mitchell Field - ramp or bandstand donation	-	-	-	-	-	1,800
39	Mitchell Field - pier	7,773	8,000	15,773	6,900	8,873	8,873
	West Harpswell School lease proceeds	-	-	-	-	-	10,000
36	West Harpswell School - capital	-	15,000	15,000	-	15,000	15,000
34	West Harpswell School - operations	-	40,000	40,000	30,600	9,400	9,400
Total capital and special projects		470,109	295,918	766,027	250,750	515,277	554,211
60	Debt service	-	395,000	395,000	393,366	1,634	-
CF	Contingency	46,530	-	46,530	-	46,530	36,702
Total budgeted expenditures		521,632	4,112,734	4,634,366	3,880,510	753,856	594,213
Other expenditures:							
	Educational appropriation	-	6,762,429	6,762,429	6,762,429	-	-
	County tax	-	1,128,378	1,128,378	1,128,378	-	-
	Overlay / abatements	-	122,870	122,870	3,243	119,627	-
Total other expenditures		-	8,013,677	8,013,677	7,894,050	119,627	-
Excess (deficiency) of revenues over (under) expenditures							
		(521,632)	(231,150)	(752,782)	318,226	1,071,008	(594,213)
Other financing sources (uses):							
11-53	Proceeds from long-term debt	-	1,000,000	1,000,000	1,000,000	-	-
	Transfer to Capital Projects - road projects	-	(1,000,000)	(1,000,000)	(1,000,000)	-	-
59	Transfer to Capital Projects - emergency vehicle	-	(150,000)	(150,000)	(150,000)	-	-
28	Transfer to Recreation fund - programs	-	(10,850)	(10,850)	(10,850)	-	-
70	Use of unassigned fund balance - budget	-	392,000	392,000	-	(392,000)	-
	Use of carryforward balances	521,632	-	521,632	-	(521,632)	-
Total other financing sources (uses)		521,632	231,150	752,782	(160,850)	(913,632)	-
Net change in fund balance		-	-	-	157,376	157,376	(594,213)
Fund balance, beginning of year, as restated					3,986,273		
Fund balance, end of year					\$ 4,143,649		

- \* Contingency transfer approved by selectmen to cover FEMA consultant and conservation fund \$9,821  
\*\* Balances carried forward include 2013 revenues received for these purpose:  
\*\*\* Revenue received directly applied to capital lease payments

## **OTHER NONMAJOR GOVERNMENTAL FUNDS**

### **NONMAJOR SPECIAL REVENUE FUNDS**

Special revenue funds account for specific resources, the expenditure of which are restricted by law or administrative action for particular purposes.

Special revenue funds are established for the following purposes:

#### ***Restricted Grants***

The purpose of this fund is to segregate state, federal and private awards whose purpose is restricted by the agency providing the funds.

#### ***Recreation***

To account for various recreation fees and related expenditures.

### **NONMAJOR CAPITAL PROJECT FUNDS**

Capital projects funds are established to account for resources obtained and expended for the acquisition of major capital facilities and projects.

The Town's individual capital project funds were established for the following purposes:

#### ***Emergency Vehicles***

To accumulate funds in a dedicated interest bearing account to ultimately purchase emergency vehicles.



**TOWN OF HARPSWELL, MAINE**  
**Other Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2013**

		Special Revenues		Capital Projects	
		Restricted Grants	Recreation	Emergency Vehicles	Totals
<b>ASSETS</b>					
Interfund receivables	\$	2,520	37,239	488,022	527,781
<b>Total assets</b>	<b>\$</b>	<b>2,520</b>	<b>37,239</b>	<b>488,022</b>	<b>527,781</b>
Fund balances:					
Restricted:					
Capital projects and grants		2,520	-	488,022	490,542
Assigned:					
Recreation		-	37,239	-	37,239
<b>Total fund balances</b>	<b>\$</b>	<b>2,520</b>	<b>37,239</b>	<b>488,022</b>	<b>527,781</b>

**TOWN OF HARPSWELL, MAINE**  
**Other Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended December 31, 2013**

	<b>Special Revenues</b>		<b>Capital Projects</b>	
	<b>Restricted Grants</b>	<b>Recreation</b>	<b>Emergency Vehicles</b>	<b>Totals</b>
Revenues:				
Intergovernmental	\$ 8,162	-	-	8,162
Interest earned	-	-	718	718
Bandstand donations	-	12,681	-	12,681
Charges for services	-	48,820	-	48,820
<b>Total revenues</b>	<b>8,162</b>	<b>61,501</b>	<b>718</b>	<b>70,381</b>
Expenditures:				
For specified purpose	9,349	55,935	-	65,284
Bandstand	-	5,280	-	5,280
Capital outlay	-	-	281,744	281,744
<b>Total expenditures</b>	<b>9,349</b>	<b>61,215</b>	<b>281,744</b>	<b>352,308</b>
Excess (deficiency) of revenues over (under) expenditures	(1,187)	286	(281,026)	(281,927)
Other financing sources:				
Transfers from general fund	-	10,850	150,000	160,850
<b>Total other financing sources</b>	<b>-</b>	<b>10,850</b>	<b>150,000</b>	<b>160,850</b>
Net change in fund balances	(1,187)	11,136	(131,026)	(121,077)
Fund balances, beginning of year, as restated	3,707	26,103	619,048	648,858
<b>Fund balances, end of year</b>	<b>\$ 2,520</b>	<b>37,239</b>	<b>488,022</b>	<b>527,781</b>

## **SCHEDULE**





**TOWN OF HARPSWELL, MAINE**  
**Schedule of Taxes and Liens Receivable**  
**For the year ended December 31, 2013**

<b>Year</b>	<b>Balance at 12/31/12</b>	<b>2013 Commitment</b>	<b>Supplemental Taxes</b>	<b>Collections</b>	<b>Abatements</b>	<b>Balance at 12/31/13</b>
pre 2002 *	\$ 630	-	-	-	-	630
2005 *	976	-	-	-	-	976
2006 *	1,453	-	-	-	-	1,453
2007 *	1,482	-	-	-	-	1,482
2008 *	1,189	-	-	(659)	-	530
2009 *	1,267	-	-	(654)	-	613
2010	18,798	-	-	(18,187)	-	611
2011	58,535	-	-	(55,862)	-	2,673
2012	374,372	-	-	(318,396)	-	55,976
2013	-	10,280,516	790	(9,932,432)	(3,243)	345,631
	<b>458,702</b>	<b>10,280,516</b>	<b>790</b>	<b>(10,326,190)</b>	<b>(3,243)</b>	<b>410,575</b>
						Taxes receivable 345,631
						Tax liens and acquired properties 64,944
<b>Total</b>						<b>\$ 410,575</b>

\* includes tax acquired property